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Impact of corporate social responsibility on the competitiveness of multinational corporations

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Abstract

Current development trends, at the global level, caused fundamental transformation in doing business in modern economy, and at the same time, set a request to change the dominant business strategies and policies by which companies achieve their goals. The liberalization of international trade and investment flows has contributed to the spread of the effects of technological progress and influenced development in many countries, but also raised a number of limitations in opportunities for achieving sustainable development. Decade of the nineties of the twentieth century can be characterized as a period of increasing pressure on the environment, the direct recipient of pollutants, resulting from the use of dirty manufacturing processes and production techniques, as well as the space through which manufactured products are distributed, used and postponed. The uncontrolled use of natural resources, especially non-renewable, has led to the endangerment of existential prerequisite for the maintenance of a healthy environment, as well as deterioration of environmental quality and escalating environmental problems on a global level. Under pressure from institutional factors, multinational corporations (MNCs), as motor of developments in the world economy, today pay more attention to the integration of the dimensions of sustainability in its own operations. Involving aspects of

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managing the impacts of corporate activities on social development and the environment is in the function of sustainable business. Development of key competences in the area of addressing social and environmental issues is a prerequisite of achieving and sustaining competitive advantage of MNCs in the modern market. In addition, long-term negligence of the non-financial aspects of the business can make multiple negative effects on the financial performance and the reduction of corporate reputation among key stakeholders, thereby reducing its competitive advantage.

Great impact on the rise of social-economic consciousness of MNCs was made by a bulk of problems caused by negative consequences of their activities, which gave rise to boycott of consumers and other stakeholders. This resulted in the decrease of enterprise credibility, ruin of their reputation, built in years, and failure in competitiveness. An MNC management team has realized that un-responsible behavior towards environment could have a “boomerang effect” to it. On the other hand, responsible behavior of enterprises towards stakeholders, society, and environment could contribute to achievement of competitive advantage. For example, by ensuring good working conditions to employees, by instigation of non-discrimination, by respecting of human rights, and by offering a possibility of advancement, MNC become attractive for new employees, especially most talented people. By insuring transparency towards shareholders, and respect of their rights, by continuous reporting, and risk management, MNC become attractive for new investments. By offering quality, healthy, and safe products, and by performing promises about after-sale services, enterprises become attractive for consumers. Talented employees, substantial capital, and safe market are the key conditions for achieving MNC competitive advantage. Hence, it is obvious that social responsible behavior of MNC becomes important factor of their survival and success. By explaining the impact of corporate social responsibility on the competitiveness of MNCs, the aim of this paper is to highlight the importance of such practice for the competitiveness of MNCs.

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1. Introduction

Process of intensive networking economies around the world offer a unique opportunity to national economies to effectively engage in the international division of labour, and benefit from an increase in the volume of international trade and investment, and on this basis increased welfare of the people. With the intensification of the process of globalization of the world economy in the last decade of the 20th century, in addition to economic problems, many national economies were faced with serious problems of environmental degradation, which threatens to distort their development expectations. This statement is confirmed by the position of the UN Fund for human activities (United Nations Fund for Population Activities - UNPFA), which is the beginning of the 90s of the 20th century “presented to the public that the current economic system does not promote a reliable and sustainable development and that the quality of life inextricably linked to the quality of the environment. On the other hand, the quality of life and environmental quality are directly linked to the number of inhabitants and their concentration” (Petrović-Randelović and Miletić, 2011).

These moments have influenced on that at the beginning of the 21st century leaders on the world political scene tackle the issue of providing a safe and sustainable way of life for the world's population, which is projected explosive growth in the first half of the 21st century. The new global environment sets the requirement to undertake a coordinated and collective action in the direction of solving these problems, since they are by nature complex and by scope goes beyond the boundaries of the national economy. As a result, at the Millennium Summit adhered in 2000, the world's political leaders have pledged to take joint actions towards the realization of the Millennium Development Goals in reducing external poverty and providing greater protection and improvement of environment. Changed business environment has caused the modification of dominant models of exercise activities of MNCs and the change in their relationship to social and environmental problems. The concept of corporate social responsibility, as a framework to guide the activities of MNCs, was created in response to the challenges and imbalances imposed by the current process of globalization. We are witnesses of the existence of huge disparities in the pace at which the process of trade and investment liberalization materializes, as well as the existence of the gap between the management system in developed, highly industrialized economies, in which it demonstrates the high economic and social performance, as well as the absence of such management structures in developing countries. In such

circumstances, taking voluntary initiatives of the private sector becomes a factor of intrinsic importance in closing the gap and solving the problems imposed by the current process of globalization.

Efficiently solving social and environmental problems largely determined by the ability of national economies to increase national wealth, by respecting the basic principles of sustainable development. Today, the development success of each country is to some extent determined by its ability to create such a strategy that enables efficient advent in a globalized, highly competitive market. This statement confirms adopted Lisbon Strategy in March 2000, by setting up of a single target that the EU should by 2010 become the “most dynamic and competitive economy in the world capable of sustainable development, which is based on knowledge, able to offer more and better jobs in which there is social cohesion and well-preserved environment” (Vlada Republike Srbije, 2006). Recently, the European Commission recognized the importance of corporate social responsibility in achieving this goal and emphasized the need to encouraging voluntary initiatives of the business sector in achieving sustainable development goals. Moreover, at a time when globalization is leading to standardization and harmonization of technologies and profits, realization of competitive advantages of companies in the so changing global environment of no more is based on the traditional economic factors, such as product differentiation, cost reduction, and others. Due to the fact that corporate social responsibility is increasingly occupies an important place among the factors that improve the competitive performance of the company, the goal of this paper is to contribute to a clearer understanding of the importance that corporate social responsibility has in the realization of this important strategic goal of multinational corporations.

2. The impact of corporate social responsibility on the key factors of competitiveness

“Corporate responsibility is a concept that is still in the making and which has not yet been precisely determined and generally accepted set of specific criteria as to what it all involves. Corporate social responsibility is a term, or phenomenon, which has in recent years become a part of everyday life not only of industrial systems and managers, but also members of civil society, state governments, and individuals” (Đurović and Randić, 2011). In our opinion the existence of numerous definitions of the concept of corporate social responsibility is a consequence of the different aspects of observation of this phenomenon and the starting basis for its definition.

Social responsibility has become an essential element and a guiding framework for corporate activities. This is especially because the implementation of the program of social responsibility can contribute to the achievement of financial, as well as of many non-financial benefits that contribute to the successful business operations of MNCs. However, in order to reach the benefits from the program of corporate social responsibility of paramount importance is not only their proper design, but also effective management and implementation. The advantages of using a well established CSR programs are well documented and proven in practice. The implementation of good CSR programs, in addition to profit maximization, can contribute to, inter alia, achieving higher reputation, enhancing position in the market, differentiation from other companies, potential rivals in the market, loyalty and increase employee productivity, minimize environmental costs, improving relations with the local community and public institutions. In addition, the application of CSR programs can contribute to improving the competitive performance of the corporation, on what indicate the results of practical researches about the existence of a positive correlation between CSR activities and competitive advantage of the corporation (Ghosh et al, 2001).

Researches shown that the need for a redefinition of the relationship between corporate performance and competitiveness of enterprises including the concept of social responsibility, among other things, initiated by development of strategic management tools aimed at achieving long-term development orientation of the MNCs. Recent studies have confirmed that the exclusive orientation towards maximize profits does not constitute a favourable long-term strategic alternatives of MNCs. As the simultaneously improving all four components of Porter's diamond of the competitive advantages can contribute to the rising the quality of business environment and improving the level of national competitiveness, directing the efforts of MNCs towards the creation of an favourable internal business environment can also contribute to the simultaneous maintenance and improvement of their competitive and development performances. These efforts include the implementation of such activities that are geared towards improving the quality of working and living conditions. In addition, for the long-term favourable performance realization it is necessary to directing activities of MNCs towards improving the conditions of life in the communities in which they operate, as well as the development of partnership cooperation.

The impact of corporate social responsibility on the competitiveness of MNCs for a long time is a preoccupation of many researchers. This is especially because the competition in the condition of increasing integration of national economies has become the dominant economic issue that in the recent global economic and financial crisis condition is gaining more in importance. In addition, many performed studies confirm the importance that corporate social responsibility has a source of competitive advantage in improving the competitive performance of MNCs and achieving profitable business.

Analysis of the contribution of corporate social responsibility of MNCs must be structured in a way that takes into account the impact of socially responsible practices on the key factors of competitiveness of enterprises. Therefore, in the next part of the paper the attention will be focused on analyzing the effects of corporate social responsibility on the key factors of corporate competitiveness.

2.1. Costs as a key factor of competitiveness

A key element to achieve of high business performance is effectively managing costs. It consists of complex activities necessary to ensure the timely delivery of quality products and services at the lowest possible cost. In the business world, it is assumed that the quality and timely delivery, costs are an indispensable factor for success. Reducing the cost and performance optimization at all points within the organization - from the plant to the top management, are the main characteristics of „cost-conscious culture“ (Elliot, 2001).

In order to efficiently cost management used analysis of the value chain which consists of a systematic study of the basic activities of the company. Related activities in the company, each in its own way, provide some contribution to the process of value creation. Activity-based cost management show how production costs can be reduced by reducing resource consumption per unit in each area of activity in which it creates value for the customer. Activity-based management involves the following steps (Novičević et al, 2013):

- Identify activities that add, and activities that do not add value
- Enterprises re-engineering
- Benchmarking activities that add value and
- Development of a system of performance measures that contribute to the ongoing development.

ABM is based on the understanding that the management activities provide long-term cost management. Different activities give unequal contribution to the creation of product value, and it is therefore necessary to connect it with the value chain and each activity isolated and analyzed separately. For each isolated activity is determined by the relevant cause of cost. To identify opportunities to reduce costs, activities are classified into those that have a strong influence on the creation of value for customers (productive) and those that do not create value (non-productive). Productive activities, such as product design, all production processes, production according to customer specifications, a well-established distribution channels and so on, increase the usability of the product or service and value for the consumer, while the unproductive activities are those whose reducing or eliminating realize the cost savings that usually do not affect the usability of the product and customer satisfaction, including: direct materials storage, preparation of machines and time that humans or machines unemployed (dead time) (Meigs et al, 1996).

Information on the costs of the activities are very useful for identifying those activities that will be improved, or eliminated. So stand out activities that provide greater potential for cost reduction by their elimination or more efficiently implementation, such as the reduction of materials moving, improving the flow of production or reducing of inventory levels. In this way, finding activities that provide the best possible competitive advantage of enterprises, and the improvement thereof, may be achieved not only significant cost savings, but also improve other key strategic variables.

To be competitive, organizations must manage costs effectively still in the design phase. If designers have access to information about the causes of the cost, they can design products in a way that will ensure lower costs while consistently satisfying consumer demands. “Identification of causes and binding of costs for the products on the basis of these causes is the ability to influence on managers' behavior to support a strategy of cost management” (Drury, 1996).

Results of the studies on the effect of CSR practices in reducing business costs can be ranging from extremely positive to extremely negative. On the one hand, it is emphasized that CSR practices contribute to the realization of significant cost savings; while on the other hand, some researchers have expressed doubts about the cost-benefits of applying the CSR programs. However, in practice, it was confirmed that the nature of the corporate social responsibility implemented measures is largely determined by the possibility of achieving cost savings. Implementation of those measures that are aimed at reducing the consumption of energy and resources is considered as one the aspects of corporate social responsibility that can bring huge cost benefit to MNCs.

Given that cost management based on the activities show how production costs can be reduced by reducing the consumption of resources per unit in each area activities which create value for the customer, the impact of corporate social responsibility practices on competitive performance should not be limited only to the question of cost savings, but must also include the issue of creating new values. Therefore, in the next part of the paper the attention will be focused on identifying the impact of corporate social responsibility in terms of reducing costs and creating new value.

2.2. Quality as a key factor of competitiveness

In addition to low prices, the demands of customers today are increasingly moving in the direction of the expected dimensions of quality, functionality, availability of products and related after-sales services. High quality products are reliable in the sense that it provides what they are designed and customers perceive them as products with superior attributes. Superior quality provides to the company two advantages. Firstly, a strong reputation for quality stimulate enterprise to achieve greater differentiation in comparison to rivals by providing greater value in the eyes of customers, which also includes the possibility of charging higher prices for their products. Second, by eliminating defects and errors in manufacturing reduces waste, increases efficiency, reduces costs and increases the company profitability. For example, by reducing of the number of defects in the manufacturing process of the company, reduce the percentage of cost of goods sold to sales revenues, thereby increasing the return on invested capital (Hill and Jones, 2004).

The aim of the company is, therefore, improving of all aspects of the quality, relating to the products or services, as well as the activities, processes, and organizational structure. This management system is known as “total quality management”. In accordance with the basic knowledge of TQM philosophy, it is cheaper to produce right „the first time“, i.e. first production process, rather than wasting resources producing non-standard units that have to be uncovered, refurbished, rejected or returned by customers, demanding that the subsequent costs of inspection, processing, warranty repair, replacement or withdrawal (Drury, 1996). TQM involves improving of the quality, performance, reliability, durability, serviceability of the product, as well as increasing of the company efficiency by reducing costs and increasing productivity. As the basic attitudes of the concept point out the following (Dubrin and Ireland, 1993):

- Quality is the priority of the company with responsibility for quality must be determined for each level and each individual in the organization
- Leaders in the implementation of the quality program are managers at the highest level, but also includes all employees
- Continued efforts and gradual search for small improvements are the way to improve quality
- 1-10-100 principle implies that the longer the time of issue of quality remains unidentified and unaddressed, the later is more expensive resolved and may cause serious consequences in terms of market share of the company
- Continued focus on consumer demands
- Systematic and holistic approach to the problem of quality
- Team working to improve the quality
- Educate, train and inform all employees of the determinants and principles to achieve quality and
- Use of comparative access, i.e. benchmarking for continuous and incremental improvement of business efficiency.

Heart of TQM program is achieving of high quality at the lowest possible cost. Around this principle beyond the

other principles, such as: satisfactory utility of products (reducing after-sales warranty costs, field repairs or return products), impeccable design (research clearly shows that about 80 % of the cost of the product determined during the design phase), conformism to use (aggressive definition conformism associated with a product or service without defects), customer satisfaction (meeting or surpassing customer expectations), etc (English, 2003).

TQM philosophy is based on a five chain reaction (Hill and Jones, 2004):

- Higher quality means lower costs due to fewer repairs, delays, and better use of time and materials
- Result is an increase in productivity
- Higher quality leads to greater market share and the possibility of price increases
- Consecutive increase the profitability of the company involves its survival and further development
- Finally, the company is able to create new jobs.

Since the introduction of the TQM system requires the formation of certain costs, companies must look at them in more detail and analyze them to help themselves in the decision on whether and how willing to spend on the flawless quality improvement.

The total cost of quality are the “difference between the actual cost of the product or service and lower costs that would have been in case of failure occurrence of non-standard services, the defect of a product, a defect in manufacturing” (Viger and Anandarajan, 1999). They can be systematized into four groups, direct, which include prevention costs and the costs of detecting defects in the products, and indirect, which arise due to defects in the products detected before and after the sale.

Unlike TQM approach, which operates within existing processes and apply systematic problem solving in order to reduce and eliminate defects in processes, *re-engineering* approach develops an entirely new method of execution of the process starting from the assumption of a fundamental lack of existing processes and the need to complete redesigning. The process re-engineering involves a dramatic redesign of business processes, organizational structures and the use of technology in order to achieve perfection in all key aspects of the organization and breakthroughs in business competitiveness (Weetman, 2003).

The importance of time management in today's competitive environment is great. Companies must strive to reduce the response time to consumer demands because responsiveness is another of the most important aspects of their satisfaction. Consumers are increasingly becoming „time-sensitive“, i.e. measured time, which is reflected in their behavior in purchasing (Christofer, 2005). Improvements in responding to consumer needs may require increasing the efficiency and reducing the duration of production cycles and almost always improve in quality (Hilton et al, 2000).

Response time to the demands of consumers represents the time from receipt of order for a product or service to the point of delivery to the purchaser. In contemporary conditions, it is perfectly clear that this time is crucial competitive variable given that competitive markets are increasingly becoming time-sensitive.

The first component is the *time of receipt of the order*, which shortening can significantly affect the shortening response time to the demands of consumers. Many companies have reduced the time of receipt of orders by introducing electronic ordering. Also, the *waiting time for processing orders* can be shortened by introducing internal computer networks based on Internet standards and by the development of digital technology. Organizations minimize the *delivery time* by careful use of resources and the maintenance of certain spare capacity in case of unexpected but valuable orders, and by the use of specialized expeditors. However, the biggest improvement will be possible by eliminating activities that do not add value to the product and, consequently, shortening the duration of the production cycle, as the most important components of response time to the demands of consumers.

Duration of the production cycle is the total time from the beginning of the production process until the product is ready for sale, and comprising: *processing time*, *time moving products*, *time-outs* and *time control*. Only time processing adds value to the product. The so-called „Just In Time – JIT“ business environment tends to be the elimination of the last three elements, because this time is considered redundant or time which does not add value to the product. Already mentioned spotting and eliminating those activities that do not create value, at the same time is done and eliminating unnecessary time spent for their execution. So the only activities that make up the processing time adding value to products, and the ejection of other activities in business processes can realize significant savings in cost and time (Drury, 1996).

The famous saying “the right things at the right place at the right time”, explains the idea of the necessity of reducing the activity and the time of their execution to those involved in adding value. However, according to some research in many U.S. companies, processing time is 10% of the total duration of the production cycle. This means that 90% of times spent in the cycle of production are activities added to the cost, but not the value of the product.

The degree to which corporate social responsibility increases product quality and increases customer loyalty is largely determined by the character of competitive strategy of enterprise and market positioning. In fact, for those companies that take a big share of the market, corporate social responsibility represents an essential element of quality products and services, while those that are positioned as a cost cutter realize less benefit from the implementation of corporate social responsibility practices.

2.3. Innovation as a key factor of competitiveness

One of the strategic success factors linked to innovation, which refers to the ability of the company to the market introduces a new generation of products of the required quality, in parallel with the improvement of the performance of existing models. To achieve success in the modern business environment innovation is essential because from the company requires the continuous creation of innovative solutions in order to rapidly adapt to changing consumer demands.

Ability to develop new products or processes that fully meet the needs of customers provides to enterprise a large competitive advantage allowing to differentiation of their offer and charging a higher price, or reduction of their production costs below the levels of competition. Of course, it is necessary to bear in mind that competitors can access the imitating innovation and succeed, and maintain a competitive advantage requires continuous improvement.

Continuous improvement, as a way to achieve customer satisfaction, means constantly searching for opportunities to reduce costs, eliminate waste and improves quality. Continuous changes are necessary, a basic function of management is to initiate, plan and institutionalize these changes in order to improve business processes and increase the flexibility and efficiency of operations. Of great importance are the continuous adaptation of management thinking and the alignment of strategy with internal and external environment.

Benchmarking is a comprehensive tool for achieving continuous improvement. It is a process of constant comparison of products, services and activities of the company with other, better companies, to determine how the processes and activities can be improved. The word benchmark means a standard for comparison that is a benchmark for performance measurement. „Benchmarking is a systematic and continuous process of measuring and comparing business processes, activities, functions, products/services, strategies and practices of companies in relation to other subjects with superior performance“ (Petradolo, 1998). As such, benchmarking is the basis for innovation, to undertake changes or transformation operations in all key areas by learning from the experience and practices of the best. It is necessary to first identify something better with other companies, and then, through imitation, copy or adaptation, to try to incorporate into their own business and improve operational and strategic performance (Maskell and Baggaley, 2000).

The core of the modern interpretation of benchmarking is as follows (Andersen et al, 1998):

- Measure of their own and the level of performance „benchmarking companies“ in order to comparison and examine of improvement possibility
- Comparison of the performance of the processes, activities, products and so on
- Learning from the „benchmarking companies“ to implement improvement in their own company and
- Improvement, as the ultimate goal of any benchmarking study.

Construction of *special competence*, which results in superior innovation and above-average value for customers, is the most important source of competitive advantage. Specific competence relating to the carefully strategic selected essential areas, activities, knowledge and skills, a high competitive potential, which are performed in a unique way within the company are called core of competence.

A high degree of correlation between corporate social responsibility and innovation activities of multinational corporation is confirmed and documented in the business practices of many MNCs. From the perspective of

innovation, CSR practices are not only contributes to cost savings, but also carries the potential of creating new value for customers. By improving the innovative capacity, corporate social responsibility can achieve a strong positive impact on the competitiveness of MNCs. There are three main channels through which corporate social responsibility can contribute to improving the innovative performance of MNCs: through cooperation with stakeholders, both inside and outside the company, by developing new business opportunities through addressing key societal challenges, through creating such a work environment that increases the confidence of employees and pays more attention to the health condition of employees and a better quality of life.

3. Conclusion

Competitive success of the modern enterprise is heavily determined by the quality and ability of its management to monitor and anticipate developments in the environment, which may represent opportunities and threats for the company, and that, on the basis of their compliance with the internal strengths and abilities, constantly observes the critical factors for business success based, on which will be made the selection and implementation of the rational strategies. As a unique and rare valuable resource, management in this area is often the one crucial factor that determines the line between successful and unsuccessful companies.

Achieving a high-performance of enterprise involves respecting and attributing high importance to factors, such as meeting the needs of consumers, high degree of cooperation between top management and employees, leadership, availability of financial and technological resources and the like. Ranking of key factors of business success according to their importance face companies with numerous challenges in the direction towards strengthening their competitiveness. In a changing environment, enterprises should pay attention to the following moments: a strong market orientation and relevant skills, effective management, strong management support in achieving goals, high organizational skills and control coherence, greater availability and better access to resources.

Today in the literature and business practice, mostly, there is general agreement that the cost, quality, time, innovation and flexibility are key strategic variables that directly affect the level of consumer satisfaction.

For the realization of the strong competitive advantage in the market an important prerequisite is the cost-effectiveness. Integrated cost-effectiveness and cost advantage provides customer loyalty, otherwise, there is the possibility of reorientation of customers to offer of the major competitors in the market.

Quality includes all of the features and characteristics of the products, processes and activities that are associated with the satisfaction of certain needs of consumers. From this point of view, it is important to know the entire set of consumer expectations in order to the company adequately address them. Continuous quality improvement followed by cost reduction is essential for successful business of enterprises and to improve its competitive position.

Competitive market requires less time of designing and developing of new products and services, the production cycle time and response time to customer requests. Consequently, it is necessary to focus on the improvement of these temporal dimensions. This requires that all major activities within the business units have timed objectives. Poor quality, which requires inspection, testing and repair, is a major cause undue consumption of time. Eliminating of the causes of poor quality, therefore, can drastically reduce production cycle time and improve response time to customer requests.

Innovation as a strategic way to achieve competitive advantage, include both new technology and new ways of doing things. It can manifest itself in new product design, new production processes, and new way of training people or new market access. When the company realized an advantage through innovation, it can be maintained only by continuous improvement.

In the last decade of the 20th century it is notable redirection of the attention of MNCs towards integration the aspects of sustainability into their policies, strategies and practices. "Several important institutional moments had a precedent impact on the change of corporate attitude towards the environment and sustainable development. A key point that is considered a milestone in the development of corporate social responsibility and divert attention to solving global environmental problems and achieving sustainable development took place in 1992 at the Earth Summit in Rio. The need for urgent undertaking collective activities in order to minimize the gap between economic growth and environmental protection indicative indicates principle 14 of the Rio Declaration. It sets out a request for "interstate cooperation in preventing relocation and transfer of any activities and substances that cause severe environmental degradation or are harmful to human health". In addition, the Declaration commits the business

community to support the precautionary principle with regard to environmental issues, and to undertake activities to promote environmental responsibility, as well as the development and diffusion of environmentally clean technologies. Also, in a global action plan for the 21st century, so-called, Agenda 21, there are numerous requirements that MNCs should fulfil in order to ensure their business in accordance with the principles of sustainability” (Jovanović et al, 2011).

It should be noted that the definition of sustainable development presented in the Brundtland report is a normative concept that includes standards of conduct to be followed if human communities seek to satisfy their own needs of survival and prosperity. It includes three basic components, economic, social and environmental component, that make up the foundation, or the pillars of sustainable development. These pillars of sustainable development made the corporate social responsibility as a guiding framework for corporate activities.

MNCs have become aware of the importance of corporate social responsibility and reform of the management system in order to increase responsibility to environmental and social interests of various stakeholders. Many MNCs see immediate and direct business benefits of adopting corporate social responsibility in the form of cost reduction, lower risk and responsibility and more efficient business. In the promotion of sustainable development through the implementation of CSR programs they recognize the opportunity to increase competitive advantage, including the achievement of long-term and stable returns, conserving key resources and raw materials, improve the image of the corporation, and the development of new products. The impact of corporate social responsibility practices on the competitive performance of MNCs in this paper is analyzed in a way that takes into account its impact on the key strategic variables that determine the competitive ability of the corporations. The performed analysis showed that the use of well-designed CSR programs allow to MNCs not only to achieve significant cost savings, but also an increase in product quality and customer loyalty, encourage the development of innovative capabilities and support the concept of flexibility in business. On that way, CSR become an important source of improving the competitive performance of the MNCs.

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